ANNUAL REPORT

ONTARIO PENSION BOARD

Highlights of the Public Service Pension Plan

- The Public Service Pension Plan (the "PSPPlan") is a defined benefit pension plan established under the Public Service Pension Act (Ontario), and subject to the Pension Benefits Act (Ontario) and the Income Tax Act (Canada).

- Annual pensions are calculated as 2% of the best, consecutive, 60 months average salary, multiplied by the member's number of years of credit in the PSPPlan. The pension is reduced on receipt of a disability pension from the Canada Pension Plan and at age 65.

- The PSPPlan is a fully indexed plan, which is subject to a limit of 8% inflation protection in any one year, with any excess carried forward.

- Survivor benefits are payable.

- The PSPPlan provides an opportunity to purchase service for prior employment with the Province of Ontario while not a member of the PSPPlan by paying only the employee contribution (provided that eligibility requirements are met).

- The PSPPlan currently provides an early retirement program which allows an unreduced pension benefit for those members whose age and years of credit in the PSPPlan total 80 years. This program is only available to members if they qualify prior to April 1, 2000 and elect within certain limited time frames to retire.

A Message from the Chairman

January 1, 2000 marks the 10th Anniversary since the establishment of the Ontario Pension Board. The Plan covers certain employees and pensioners of the Ontario government, its Agencies, Boards and Commissions.

The Plan is governed by a five member Board, composed of Ms. Debbie McKenna, Executive Officer-Benefits, Ontario Provincial Police Association; Dr. Bob Christie, Deputy Minister of Training, Colleges and Universities; Mr. William J. Fisher, retired Vice President, Chrysler Canada Ltd.; Mr. William J. Corcoran, former partner of ScotiaMcLeod, and Vice Chairman of our Board; and myself.

The Plan serves 24,304 active members, 39,621 pensioners and 2,626 deferred pensioners. We are different than almost all other plans in that we have more pensioners than contributors. All the pension liabilities are guaranteed by the government of Ontario.

The Board has the fiduciary responsibility for the administration of the Plan and the management of the investments.

The Plan is administered under the law of the Province of Ontario and regulated by the Financial Services Commission of Ontario. It is our responsibility to interpret the complicated legislation and administer it fairly for pensioners and contributors. The goal of the Ontario Pension Board is to provide the highest quality of service to members, pensioners, and sponsors at the lowest cost.

The Investment policies of the Fund are set by the full Board and are implemented by the Investment Committee, which is composed of Mr. William J. Corcoran, Chairman, Ms. Debbie McKenna, and myself. The Senior Vice President of Investments, Mr. Robert Kay, and the President, Mr. Leonard Lu, are staff members of the Committee. The investment goal of the Ontario Pension Board is to obtain a reasonable return on investments with a minimum of risk. Quality of assets and preservation of capital are foremost considerations in our investment policy.

The Fund is managed by external fund managers - Jarislowsky Fraser Limited; Jones Heward Investment Counsel Inc.; J.P. Morgan Investment Management Inc.; Perigee Investment Counsel Inc.; Phillips Hager & North Investment Management Ltd.; and Sceptre Investment Counsel Limited; under the supervision of Senior Vice President, Mr. Robert Kay. The real estate shopping centre portfolio is managed by Mr. George Buckles and Mr. Randy Scharfe of 20 Vic Management, under the supervision of Mr. Stuart Eagles.

The Board invests in bonds and equities in Canada, U.S., and Western Europe, in Ontario Government non-marketable debentures, and in Canadian regional shopping centres. It has no investments in South America, Mexico, the Far East or Emerging Markets. Our policy since inception in 1990 continues to avoid investment in derivatives.

Invested assets as at December 31, 1999 were $11.185 billion of which $3.764 billion was invested in non-marketable Ontario Government debentures; $1.845 billion in Canadian Bonds; $1.306 billion in Canadian Equities; $1.716 billion in U.S. Bonds and Equities; $863 million in European Bonds and Equities; $827 million in Cash and Short Term Investments; and $864 million in Regional Shopping Centres.

The Ontario Pension Board plans to have an actuarial valuation done as at December 31, 1999, which will be completed by mid-2000. Our expectation is that the report will show the Plan to be fully funded. This will be a historical milestone, with the Plan becoming fully funded some 14 years earlier than projected at its inception.

1999 was a most difficult year for a conservative

investor. The index returns tended to be dominated by technology and Internet stocks, some of which advanced spectacularly. In the U.S. market the largest 20 technology stocks accounted for all the performance of the Standard and Poor's 500 Index. In Canada three strongly rising technology stocks, Nortel Networks, BCE and JDS Uniphase, generated most of the gains on the Toronto Stock Exchange 300 Index. The other 297 stocks generated only a moderately positive return with over half of these stocks having a negative return in 1999.

In addition, as the threat of inflation in the U.S. increased, interest rates rose over 1% during the year, thus driving the market value of our bond portfolio down. So for the time being, the Fund has a lower value on its bond portfolio. This is a short-term phenomenon as the bonds will all mature at par. To date, we have never lost any money on bonds, due to a default of either an interest payment or on principal at maturity so that the present decline caused by the higher interest rates will be recovered.

Investors have been piling into technology and Internet stocks to the exclusion of others because of their apparently unlimited future growth. Many have borrowed against homes and credit cards for stock purchases. The public has committed the greater percentage of assets to the most expensive stock market in history at a time when central banks are raising interest rates. It is a high-risk game, which gives us a great concern for the future. Everyone owns the same small group of larger capitalization technology and Internet stocks.

In 1999 as a result of those market factors, the fund return was 5.37%. The return in 1998 was 13.38%, and overall for the last ten years the return has averaged 11.79% per year.

It was an exceptionally good year for our real estate portfolio, however, providing an overall return of 8.68%. We continued our policy of upgrading and expanding the properties rather than acquiring new real estate at prices which we consider to be too high.

We have five Eaton's stores in our centres and we have been fortunate in leasing three of them to Sears and one to The Bay. We have a number of interested tenants for the fifth store. I am pleased to report that The Gap has opened new stores in Halifax, Pickering, Brentwood and Lougheed malls, and have added new interest to these malls.

The Public Service Pension Plan, which is administered by the Ontario Pension Board, is indexed for inflation. Any increase in the Consumer Price Index (C.P.I.) is added to the pensioner's pension annually in January up to 8% in any one year. If inflation exceeds 8% in a year, any excess is carried forward to future years. On January 1, 2000, pensions were increased by 1.5%.

Administering the Plan met with many challenges. With whole departments of government being divested and with municipal police departments joining the Ontario Provincial Police there are a large number of members changing from one plan to another. This is resulting in a great amount of administration. Our Board's policy is that transfers between plans should be cost-neutral to each plan and that affected employees should remain whole.

Our computer outsourcing agreement with EDS Systemhouse has been in effect for one year and has worked very well. We now have in place the process to prepare the Pension Adjustment Reversals (PAR). EDS is under the supervision of the Director of Planning and Information Technology, Mr. Joe Farrugia.

The Ontario Pension Board pension administration software "PRISM" has been enhanced to facilitate the processing of buybacks, leaves of absence and other contributions related to transfers.

The Annual Pension Statement has now been improved to include additional personal information, contribution information, credited service, and pension estimates as of the Statement Date, early retirement date and the normal retirement date.

We had a number of Senior Management appointments. Ms. Linda Bowden was appointed

Vice President of Corporate Services. Following Mr. Ron Gassien's retirement, Mr. Peter Johnson was appointed Comptroller and Ms. Karen Kojima was appointed Manager of Treasury and Investment Accounting. Mr. Peter Johnson and Ms. Karen Kojima report to the Treasurer, Mr. Robert Sycamore. In the Pension Administration area, Ms. Sheila Fish was appointed Director of Member and Pensioner Services, and Mr. Robert Breens was appointed Director of Operational Policy. Ms. Sheila Fish and Mr. Robert Breens report to the Vice President of Plan Administration, Ms. Tonia Evagelou. These people are all doing excellent work in their new positions.

Board staff delivered 42 divestment and pre-retirement seminars during 1999 from Renfrew in the east to Owen Sound in the west to Sudbury in the north. During the year, 47,000 case files were completed, compared to 40,000 a year earlier. The Factor 80 option generated many requests, and with limited extension to 2002, will keep us very busy in the coming year.

In late 1999 we assumed responsibility for administration of the Ontario Provincial Judges' pension plan.

Following the passage of the Order-in-Council, setting the rules governing transfers with the OPSEU Pension Trust permitted us to settle many transfers between the two plans. We hope to finalize all transfers by mid-year 2000. We continued our efforts to put in place controls and procedures to ensure accuracy.

Our investment Custodian has been the Bank of Montreal. In 1999 the bank sold this department to CIBC Mellon. The transfer between the two banks created much extra work for us but was successfully completed on October 1, 1999.

Frank Russell ceased their portfolio verification system on December 31, 1999. This system was replaced by a combination of new procedures with the Russell's TruVP system, Fund Managers and CIBC Mellon. This change has provided the required administrative controls. We are extremely pleased with the service we are receiving from all parties involved.

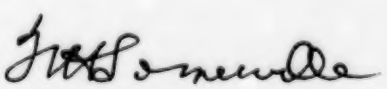
Mr. Mark Fuller, who joined us as Senior Vice President, General Counsel and Secretary a year ago, has had an extraordinarily busy year and has done an outstanding job. In addition to the pension policy responsibility, Mr. Fuller spent much time in the real estate area of our business. The closure of the Eaton's stores and the subsequent leasing to Sears and the Bay made for much legal work.

Board staff have expressed to me their appreciation of the good support they have received from Management Board Secretariat staff during a time of much change.

The millennium date of January 1, 2000 has come and gone. We at the Ontario Pension Board devoted a significant amount of time and energy to making sure that all aspects of our business were "Year 2000" ready. This operation was a strong cooperative effort by all levels of Board staff, and we extend our thanks to each one of them. Dr. Bob Christie was Chairman of the Year 2000 Board Committee, which met monthly. I am delighted to report that our efforts were successful and the changeover was done without incident.

On January 1st Dr. Bob Christie, Deputy Minister of Training, Colleges and Universities, was appointed to our Board. On the same date Mr. Joseph Regan left our Board to join the Canada Pension Plan Board. We thank Mr. Regan for his service and welcome Dr. Christie. I want to thank all Members of the Board of Directors for their generous assistance.

The staff, led by President, Mr. Leonard Lu have done an outstanding job in a very busy and difficult year. They met many challenges and I thank them for their great efforts.



William H. Somerville
Chairman

Management's Responsibility for Financial Reporting

The consolidated financial statements of the Ontario Pension Board ("OPB") have been prepared by management, which is responsible for the integrity and fairness of the data presented. The accounting policies followed in the preparation of these consolidated financial statements are in accordance with generally accepted accounting principles. Of necessity, many amounts in the financial statements must be based on the best estimates and judgement of management with appropriate consideration as to materiality. Financial information presented throughout this annual report is consistent with the consolidated financial statements.

Systems of internal control and supporting procedures are maintained to provide assurance that transactions are authorized, assets are safeguarded against unauthorized use or disposition, and proper records maintained. The system includes careful hiring and training of staff, the establishment of an organizational structure that provides for a well-defined division of responsibilities and the communication of policies and guidelines of business conduct throughout the OPB.

The Board of Directors ("Board") is ultimately responsible for the consolidated financial statements of the OPB. The OPB's Audit Committee assists in this responsibility by reviewing the consolidated financial statements in detail with management and the external auditors before such statements are recommended to the Board for approval. The Audit Committee meets regularly with management and the external auditors to review the scope and timing of audits, to review their findings and suggestions for improvements in internal control, and to satisfy themselves that their responsibilities and those of management have been properly discharged.

Leonard Lu
President

Robert J. Sycamore, C.A.
Director, Finance

February 7, 2000

Auditors' Report

To the Directors of the Ontario Pension Board:

We have audited the consolidated statement of net assets available for benefits and accrued pension benefits and surplus of the Ontario Pension Board (the "OPB") as at December 31, 1999, and the consolidated statements of changes in net assets available for benefits, changes in accrued pension benefits and changes in surplus for the year then ended. These consolidated financial statements are the responsibility of the OPB's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in Canada. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the OPB as at December 31, 1999 and the results of its operations and the changes in its financial position, accrued pension benefits and surplus for the year then ended in accordance with accounting principles generally accepted in Canada.

Ernst + Young

Toronto, Canada
February 7, 2000

Chartered Accountants

Actuaries' Opinion

To the Directors of the Ontario Pension Board:

We have prepared an actuarial valuation on a funding basis of the Public Service Pension Plan (the "PSPPlan") as of December 31, 1998, as described in Note 9(a) of these consolidated financial statements.

We hereby certify that, in our opinion:

- the data provided to us by the Ontario Pension Board (OPB) are sufficient and reliable for the purposes of the December 31, 1998 valuation;
- the actuarial assumptions used are appropriate for the purposes of a valuation for funding purposes of the PSPPlan;
- the methods employed are consistent with sound principles established by precedent or by common usage within the actuarial profession, are appropriate for the purposes of the valuation and are consistent with the requirements of the Pension Benefits Act, the Public Service Pension Act, and the Income Tax Act (Canada); and
- the valuation was prepared and our opinion given in accordance with generally accepted actuarial practice.

Using the same data as provided by the OPB for the funding basis valuation, we also prepared an estimate of the assets and liabilities on an actuarial basis following the accounting methodology required by The Canadian Institute of Chartered Accountants Handbook, Section 4100, as disclosed in Note 9(b). These amounts are set out in the consolidated statement of net assets available for benefits and accrued pension benefits and surplus. The valuation for accounting purposes was prepared in accordance with accepted actuarial practice and is based on assumptions set out in Note 9(b), which in our opinion fall within a reasonable range.

Michael D. Banks, F.I.A., F.C.I.A.

Paul Nock, F.S.A., F.C.I.A.

WILLIAM M. MERCER LIMITED
February 7, 2000

Consolidated Statement of Net Assets Available for Benefits and Accrued Pension Benefits and Surplus

As at December 31 (in thousands of dollars)	1999	1998
Assets		
Investments (Note 5)	**$11,184,908**	$10,969,384
Contributions receivable (Note 8)	**24,984**	22,777
Capital assets (Note 6)	**678**	986
Other assets	**78**	192
Total assets	**11,210,648**	10,993,339
Liabilities		
Income taxes withheld on pension payments	**8,308**	8,150
Accounts payable and accrued charges	**6,008**	3,845
Contributions payable	**351**	7,489
Total liabilities	**14,667**	19,484
Net Assets Available for Benefits	**11,195,981**	10,973,855
Actuarial asset value adjustment (Note 9(b))	**808,746**	731,760
Actuarial Value of Net Assets Available for Investments	**$12,004,727**	$11,705,615
Accrued Pension Benefits and Surplus		
Accrued Pension Benefits	**$10,994,073**	$10,903,192
Surplus (Note 9(b))	**1,010,654**	802,423
Total Benefits and Surplus	**$12,004,727**	$11,705,615

See accompanying notes

William H. Somerville
Director

William J. Corcoran
Director

Consolidated Statement of Changes in Net Assets Available for Benefits

For the Year Ended December 31 (in thousands of dollars)	1999	1998
Increase in Net Assets		
Net investment income (Note 7)	**$ 569,051**	$ 1,309,861
Contributions (Note 8)	**360,154**	322,577
Increase in net assets	**929,205**	1,632,438
Decrease in Net Assets		
Pensions paid	**648,923**	630,241
Termination payments and transfers	**46,939**	55,262
Operating expenses (Note 12)	**11,217**	10,377
Decrease in net assets	**707,079**	695,880
Net Increase in Net Assets For the Year	**222,126**	936,558
Net Assets, at Beginning of Year	**10,973,855**	10,037,297
Net Assets, at End of Year	**$ 11,195,981**	$ 10,973,855

See accompanying notes

Consolidated Statement of Changes in Accrued Pension Benefits

For the Year Ended December 31 (in thousands of dollars)	1999	1998
Accrued Pension Benefits, at Beginning of Year	**$10,903,192**	$10,676,664
Increase in Accrued Pension Benefits		
Interest on accrued pension benefits	**735,233**	686,372
Benefits accrued	**206,891**	195,101
Total increase	**942,124**	881,473
Decrease in Accrued Pension Benefits		
Benefits paid	**695,862**	685,503
Experience gains (losses)	**155,381**	(30,558)
Total decrease	**851,243**	654,945
Net Increase in Accrued Pension Benefits	**90,881**	226,528
Accrued Pension Benefits, at End of Year	**$10,994,073**	$10,903,192

Consolidated Statement of Changes in Surplus

For the Year Ended December 31 (in thousands of dollars)	1999	1998
Surplus, at Beginning of Year	**$ 802,423**	$ 24,914
Increase in net assets available for benefits	**222,126**	936,558
Change in actuarial asset value adjustment	**76,986**	67,479
Increase in actuarial value of net assets available for benefits	**299,112**	1,004,037
Net Increase in Accrued Pension Benefits	**90,881**	226,528
Surplus, at End of Year	**$ 1,010,654**	$ 802,423

See accompanying notes

Notes to the Consolidated Financial Statements
December 31, 1999

1. Public Service Pension Act

Effective January 1, 1990, the Province of Ontario (the "Province") enacted the Public Service Pension Act, 1990 (the "PSPAct") to continue the pension plan for the employees of the Province and certain of its agencies. The terms of the Public Service Pension Plan (the "PSPPlan") are stated in Schedule 1 to the PSPAct. The Ontario Pension Board (the "OPB") is the administrator of the PSPPlan.

2. Description of PSPPlan

The following is a brief description of the PSPPlan. For more complete information, reference should be made to the PSPAct.

a) General

The PSPPlan is a contributory defined benefit pension plan and membership is mandatory for most employees who satisfy the eligibility requirements provided in the PSPAct. Under the PSPPlan, contributions are made by the members and the employers. The PSPPlan is registered under the Pension Benefits Act (Ontario) and the Income Tax Act (Canada) under Registration Number 0208777.

b) Contributions

The PSPPlan is integrated with the Canada Pension Plan ("CPP"). Member contributions are 6.2% of the salary on which contributions to CPP are made and 8% on the balance of salary. The employers contribute matching amounts.

Ontario Provincial Police ("OPP") members are required to contribute to the PSPPlan an additional 2% of salary which is matched by the employer.

c) Pensions

A pension is payable at age 65 (or at age 60 for some members with pre-1966 pension credits) based on the number of years of credit in the PSPPlan, 2% of the average salary during the best consecutive 60 month period, less an offset for amounts received under the CPP. An unreduced pension can be received before age 65 if the member's age and years of credit total 90 (the "Factor 90") or when the member reaches age 60 and has 20 or more years of credit. The Province amended the PSPPlan to provide for an enhanced early retirement opportunity for certain members of the Plan (the "Factor 80"). The amendment allows an unreduced pension for those members whose age and years of credit in the PSPPlan total 80 years. Members are eligible for this program if they achieve the Factor 80 prior to April 1, 2000 and elect, within certain limited time frames, to retire.

OPP members are eligible for an unreduced pension after attaining age 50 with 30 years of credit.

d) Death Benefits

Benefits may be payable to a surviving eligible spouse, eligible children, a designated beneficiary or the member's or pensioner's estate on the death of a member or a pensioner.

e) Disability Pensions

Based on meeting all eligibility criteria, a disability pension may be available to members with a minimum of 10 years of credit in the PSPPlan. The amount of the disability pension is dependent on years of credit and average salary.

f) Termination Payments

Members terminating employment before age 55, who are eligible for a deferred pension, may be entitled to transfer the commuted value of the pension to a locked-in registered retirement savings arrangement, to another pension plan or to purchase a life annuity.

g) Escalation of Benefits

Current pensions and deferred pension benefits are increased for inflation based on the Consumer Price Index to a maximum of 8% in any one year. Any inflation above 8% in any one year is applied to increase the pension in subsequent years when the adjustment is less than 8%.

3. The OPSEU Pension Plan

In April, 1994, the Province and the Ontario Public Service Employees' Union ("OPSEU") reached an agreement (the "Sponsorship Agreement") to sponsor a pension plan to operate separately from the PSPPlan for members of OPSEU, the Amalgamated Transit Union, the Ontario Liquor Control Board Employees' Union, and certain members of the Canadian Union of Public Employees. The OPSEU Act was enacted in June 1994 by the Province to give effect to the Sponsorship Agreement and to create the Ontario Public Service Employees' Union Pension Plan (the "OPSEU Pension Plan").

The benefits for all pensioners and deferred pensioners who terminated before January 1, 1993 and for all other PSPPlan members continue to be payable by the PSPPlan.

Under the terms of the Sponsorship Agreement, the net transfer of membership between the PSPPlan and the OPSEU Pension Plan has been settled up to December 31, 1994. In December 1998, the Province passed an Order-in-Council providing for rules for the calculation of transfers between the OPSEU Pension Plan and the PSPPlan. During 1999, significant progress was made at clearing the membership transfers subsequent to December 31, 1994. It is anticipated that the outstanding transfers will be cleared by mid 2000.

4. Summary of Significant Accounting Policies

a) Basis of Presentation

The consolidated financial statements are prepared in accordance with generally accepted accounting principles and present the position of the PSPPlan as a separate entity independent of the employers and plan members.

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

b) Principles of Consolidation

The accounts of wholly-owned subsidiaries are included on a consolidated basis.

c) Investments

Traded investments are stated at fair value based on year-end market prices. Short-term investments are carried at amortized cost which approximates their aggregate fair value. Special Province of Ontario Debentures, which are non-marketable, are recorded at face value (see Note 5). Gains and losses realized on the disposal of investments are credited or charged to investment income. Withholding tax refunds from foreign jurisdictions are recorded on a cash basis. Investment transactions are presented on a trade date basis.

Real estate investments are stated at appraised values as established by independent appraisals at least every three years. Changes in valuation due to appraisal adjustments are included in unrealized gains. The last appraisal was performed in 1997.

d) Contributions

Contributions from members and employers which are due to the PSPPlan at year end are recorded as receivable. Transfers and purchases of prior service are recorded after cash is received and the case is processed.

e) Pensions

Payments of pensions, refunds and transfers are recorded in the year in which they are made.

f) Capital Assets

Capital assets are carried at cost less accumulated amortization. Amortization is provided on a straight-line basis over the estimated useful lives of the capital assets as follows:

Computer equipment	3 years
Leasehold improvements	Remaining term of lease
Furniture and fixtures	10 years

g) Foreign Currency Translation

Foreign currency transactions are translated into Canadian dollars at the rates of exchange prevailing at the dates of the transactions.

The fair value of investments and cash balances denominated in foreign currencies are translated at the rates in effect at year end.

5. Investments

As at December 31 (in thousands of dollars)	1999 Fair Value	1999 Cost	1998 Fair Value	1998 Cost
Special Province of Ontario Debentures	**$ 3,553,865**	**$ 3,553,865**	$ 3,620,077	$ 3,620,077
Cash and short-term investments				
Canadian	**724,748**	**727,608**	520,162	521,054
Foreign	**96,934**	**84,362**	67,283	68,745
	821,682	**811,970**	587,445	589,799
Bonds				
Canadian	**1,820,035**	**1,902,572**	1,863,409	1,772,778
Foreign	**321,899**	**362,295**	387,207	344,656
	2,141,934	**2,264,867**	2,250,616	2,117,434
Equities				
Canadian	**1,303,824**	**942,980**	1,085,719	889,501
Foreign	**2,244,484**	**1,461,683**	2,314,176	1,269,860
	3,548,308	**2,404,663**	3,399,895	2,159,361
Real estate	**837,509**	**814,030**	827,609	804,130
Investments	**$10,903,298**	**$ 9,849,395**	$10,685,642	$ 9,290,801
Accrued income	**281,610**	**281,610**	283,742	283,742
Total	**$11,184,908**	**$10,131,005**	$10,969,384	$ 9,574,543

The Special Province of Ontario Debentures, which are non-marketable, are recorded at their aggregate face value of $3.554 billion. By discounting cash flows based on year-end market yields of comparable bonds, a value of $4.949 billion could be determined.

There are currently 22 Special Province of Ontario Debentures maturing over the next 15 years with a weighted average interest rate of 11.69%.

As Administrator of the Fund, the OPB has adopted a Statement of Investment Policies and Goals. This Statement provides investment objectives, performance expectations and guidelines for the management of the Fund. To reduce risk and enhance returns, equity and fixed income investments may be allocated to different asset classes. The proportion allocated at any point in time is determined

based on an assessment of economic and financial market conditions.

To provide the ability to respond to fundamental changes, the Fund's asset mix is maintained within the following ranges:

Equity	30% to 70%
Fixed income	30% to 70%

The Fund's long-term asset mix policy is as follows:

Equity	60%
Fixed income	40%

This policy was adopted after evaluating the risk characteristics of alternative policies, considering the liquidity requirements of the Fund and the economic assumptions employed in the PSPPlan's actuarial valuation.

The OPB invests in high-grade bonds and common shares. The fair value of foreign investments will fluctuate with moves in exchange rates.

The OPB through its 100% owned subsidiary, OPB Realty (Management) Inc., owns a 100% interest in the following regional shopping centres:

Brentwood Mall, Burnaby, BC
Carlingwood Mall, Ottawa, ON
Lougheed Mall, Burnaby, BC
Marlborough Mall, Calgary, AB
Halifax Shopping Centre, Halifax, NS
Niagara Pen Centre, St. Catharines, ON
Pickering Town Centre, Pickering, ON
St. Vital Centre, Winnipeg, MB

Each property is held in a wholly-owned separate subsidiary.

See the Schedule of Fixed Income Maturities and the Schedule of Significant Investments for further information.

6. Capital Assets

As at December 31 (in thousands of dollars)	Cost	1999 Accumulated Amortization	1999 Net Book Value	1998 Net Book Value
Computer equipment	$ 1,363	$ 1,048	$ 315	$ 473
Leasehold improvements	1,062	843	219	347
Furniture and fixtures	555	411	144	166
Total capital assets	**$ 2,980**	**$ 2,302**	**$ 678**	$ 986

7. Net Investment Income

For the Year Ended December 31 (in thousands of dollars)	1999	1998
Interest income		
Special Province of Ontario Debentures	**$ 418,594**	$ 425,117
Cash and short-term investments		
Canadian	**30,680**	23,129
Foreign	**3,813**	3,040
Bonds		
Canadian	**136,966**	101,131
Foreign	**18,314**	19,875
Total interest income	**608,367**	572,292
Dividend income		
Canadian	**19,893**	17,690
Foreign	**38,772**	34,966
Total dividend income	**58,665**	52,656
Real estate income	**70,625**	60,893
Realized gain	**182,430**	412,869
Unrealized gain (loss)	**(340,939)**	220,972
Total investment income	**579,148**	1,319,682
Investment management and custodial fees	**10,097**	9,821
Net investment income	**$ 569,051**	$ 1,309,861

8. Contributions

For the Year Ended December 31 (in thousands of dollars)	1999	1998
Members		
Current service	$ 96,397	$ 91,961
Prior service	3,524	4,171
	99,921	96,132
Employers		
Current service	99,401	99,851
Prior service	1,483	3,419
Interim unfunded liability payments received	121,263	114,724
	222,147	217,994
Transfers from other plans	38,086	8,451
Total contributions	$ 360,154	$ 322,577

The contribution requirements are set out in the PSPAct and summarized in Note 2.

Contributions receivable represent members' contributions due as well as estimated receivables for members receiving benefits on LTIP and for buybacks.

9. Accrued Pension Benefits

a) Funding Basis

The funding of the PSPPlan is based on a method of valuation required under the PSPAct. An actuarial valuation of the PSPPlan, prepared on a funding basis, was completed by the OPB's actuaries, William M. Mercer Limited ("Mercer") as at December 31, 1998. This valuation disclosed an unfunded liability of $220 million based on an actuarial liability of $11.499 billion and an actuarial value of assets of $11.279 billion at the end of 1998.

The Pension Benefits Act (Ontario) and the Income Tax Act (Canada) require an actuarial valuation for funding purposes to be performed at least every three years.

b) Accounting Basis

The consolidated financial statements include assets and liabilities on a best estimate basis according to the reporting standard set by the Canadian Institute of Chartered Accountants (CICA).

The CICA basis requires that the obligation for accrued pension benefits be calculated using best estimate assumptions and the projected benefit method pro-rated on services. The key assumptions which have been used for this estimation are for long-term expectations and are adjusted annually in light of economic conditions. For 1999 and 1998, the key assumptions used are as follows:

	1999	1998
Interest	7.0%	6.5%
Inflation	3.0%	2.5%
Real rate of return	4.0%	4.0%
Salary	4.0%	3.5%
	+ promotional scale	+ promotional scale

Best estimates for the actuarial value of assets include valuation of the Special Province of Ontario Debentures on a discounted basis. In addition, realized and unrealized gains and losses on marketable investments are amortized over four years.

10. Statutory Information

The statutory information required under the Public Sector Salary Disclosure Act, 1995, with respect to employees who are paid a salary of $100,000 or more in a year is as follows:

	Salary	Taxable Benefits
W.H. Somerville, Chairman	$124,204	—
L. Lu, President	$164,092	$405
M. Fuller, Senior Vice-President, General Counsel & Secretary	$145,635	$266
R. Kay, Senior Vice-President, Investments	$137,925	$349
A. Evagelou, Vice-President, Plan Administration	$109,336	$287

11. Ontario Provincial Police Early Retirement Benefit

Under the PSPPlan, the OPB is required to report annually on the early retirement benefit provided by the PSPPlan to members who are employed by the OPP. This early retirement benefit is available to OPP members who are 50 years of age and have 30 years of credit in the PSPPlan. OPP members contribute 2% of their salary to the PSPPlan in addition to the regular contribution amount. This contribution is matched by the employer.

The liability of OPP members who qualify and elect to retire under the Factor 80 provision is not reported under the OPP early retirement benefit. When the Province's program expires, the liability for all OPP members who attain 50 years of age and have 30 years of credit in the PSPPlan will be reported under the OPP early retirement benefit.

The position of the OPP early retirement benefit was included in the actuarial valuation as at December 31, 1998. The value of projected future contributions and benefits included in the December 31, 1998 actuarial valuation was updated to reflect actual contributions received and benefit payments made during the period to December 31, 1999. This method produces a reasonable estimate of the financial position of this benefit according to the OPB's actuaries.

The additional obligation and assets related to the OPP early retirement benefit as at December 31, 1999 were as follows:

(in thousands of dollars)	
Assets allocated to payment of OPP early retirement benefit	$ 69,396
Actuarial value of future additional contributions from OPP members and employer	75,434
	144,830
Actuarial value of future OPP early retirement benefit	129,735
Assets and actuarial value of future additional contributions available in excess of actuarial value of future OPP early retirement benefit	$ 15,095

12. Operating Expenses

For the Year Ended December 31 (in thousands of dollars)	1999	1998
Salaries and benefits	$ 4,818	$ 4,839
Agency services	382	976
Office premises and operations	1,569	1,587
Computer and professional services	3,389	1,482
Depreciation and amortization	427	879
Communications	335	371
Audit	140	97
Travel	64	47
Publications, registration and filing fees	93	99
Total operating expenses	**$ 11,217**	$ 10,377

13. Commitments

The OPB is committed under a lease for office premises at One Financial Place, Toronto, at an annual net rental of approximately $470 thousand until the year 2002.

14. Year 2000 Issue

The year 2000 issue arose because many computerized systems use two digits rather than four to identify a year. Date-sensitive systems may recognize the year 2000 as 1900 or some other date, resulting in errors when information using year 2000 dates is processed. Although the change in date has occurred, it is not possible to conclude that all aspects of the year 2000 issue that may affect the entity, including those related to customers, suppliers or other third parties, have been resolved.

Schedule of Fixed Income Maturities

As at December 31 (in thousands of dollars)	1999 Fair Value	1999 Effective Yield %	1998 Fair Value	1998 Effective Yield %
Special Province of Ontario Debentures				
0-1 year	$ 56,726	10.04 - 11.53	$ 47,303	8.39 - 10.07
1-5 years	525,295	9.50 - 16.95	440,499	9.50 - 16.95
5-10 years	1,400,519	11.05 - 15.38	1,004,286	9.82 - 15.38
> 10 years	1,571,325	10.38 - 11.55	2,127,989	10.38 - 13.33
	$3,553,865		$3,620,077	
Cash and short-term investments				
Canadian:				
0-1 year	$ 724,748	4.63 - 5.16	$ 520,162	4.41 - 6.50
Foreign:				
0-1 year	96,934	5.30 - 5.51	67,283	3.70 - 4.50
	$ 821,682		$ 587,445	
Bonds				
Canadian:				
0-1 year	$ 6,839	5.55 - 9.66	$ 1,333	4.49
1-5 years	287,522	5.96 - 7.35	351,729	4.74 - 7.88
5-10 years	1,238,159	5.76 - 9.62	986,500	4.79 - 6.82
> 10 years	287,515	6.24 - 7.65	523,847	1.92 - 5.95
	$1,820,035		$1,863,409	
Foreign:				
0-1 year	$ 18,060	4.78	$ ---------	--------
1-5 years	114,660	4.58 - 7.28	88,841	3.26 - 5.56
5-10 years	178,047	5.12 - 8.87	226,268	3.71 - 6.12
> 10 years	11,132	4.60	72,098	4.31
	$ 321,899		$ 387,207	
	$2,141,934		$2,250,616	

Schedule of Significant Investments*

As at December 31, 1999 (in thousands of dollars)	Fair Value	Cost
Special Province of Ontario Debentures	$ 3,553,865	$ 3,553,865
Cash and short-term investments		
Canadian		
Treasury Bills		
Government of Canada	$ 290,357	$ 291,445
Bonds		
Canadian		
Government of Canada	$ 792,742	$ 835,044
Province of Ontario	233,374	241,831
Foreign		
Federal Republic of Germany	$ 195,892	$ 226,558
Equities		
Canadian		
BCE Inc.	$ 147,085	$ 45,577
Real estate	$ 837,509	$ 814,030

*Investments with fair value or cost exceeding 1% of fair value or cost of total plan investments

Sponsors

As at December 31, 1999, the OPB served the needs of our members of the following Ministries, Agencies, Boards and Commissions of the Province, as well as all of our pensioners.

Agriculture, Food and Rural Affairs
Alcohol and Gaming Commission of Ontario
Algonquin Forestry Authority
Anishinabek Police Service
Attorney General
Cabinet Office
Citizenship, Culture and Recreation
Community and Social Services
Consumer and Commercial Relations
Correctional Services
Economic Development and Trade
Education
Energy, Science and Technology
Environment
Finance
Financial Services Commission
Francophone Affairs
Health and Long-Term Care
Intergovernmental Affairs
Labour
Legislative Assembly
Lieutenant Governor's Office
Liquor Control Board of Ontario
Management Board Secretariat
Municipal Affairs and Housing
Native Affairs
Natural Resources
Niagara Parks Commission
Nishnawbe-Aski Police Service
Northern Development and Mines
Office of the Chief Election Officer
Ombudsman Ontario
Office of the Premier
Office of the Provincial Auditor
Ontario Arts Council
Ontario Casino Corporation
Ontario Clean Water Agency
Ontario Development Corporation
Ontario Financing Authority
Ontario Housing Corporation
Ontario Lottery Corporation
Ontario Pension Board
Ontario Place Corporation
Ontario Provincial Police
Ontario Realty Corporation
Ontario Science Centre
Ontario Securities Commission
Ontario Teachers' Pension Plan Board
St. Lawrence Parks Commission
Solicitor General
Tourism
Training, Colleges and Universities
Transportation
Treasury and Economics
United Chiefs and Councils of Manitoulin
Police Services Commission
Wikwemikong Tribal Police Service
Workplace Safety and Insurance Appeals Tribunal

Member and Pensioner Statistics

As at December 31	1999	1998
Members	24,304	22,439
Pensioners	39,621	39,521

Board of Directors

WILLIAM H. SOMERVILLE, O.Ont., LL.D.
Chairman
Ontario Pension Board

WILLIAM J. CORCORAN
Vice-Chairman
Ontario Pension Board

BOB CHRISTIE
Deputy Minister
Ministry of Training, Colleges & Universities

WILLIAM J. FISHER
Retired Vice-President
Human Resources, Chrysler Canada Ltd.
Honourary Professor, University of Windsor
Faculty of Business Administration

DEBBIE McKENNA
Executive Officer-Benefits
Ontario Provincial Police Association

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WILLIAM J. FISHER*
BOB CHRISTIE
WILLIAM J. CORCORAN
WILLIAM H. SOMERVILLE

HUMAN RESOURCES
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WILLIAM J. FISHER
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YEAR 2000 PROJECT
BOB CHRISTIE*
WILLIAM J. CORCORAN
WILLIAM J. FISHER
DEBBIE McKENNA
WILLIAM H. SOMERVILLE

* Chairman

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WILLIAM H. SOMERVILLE, O.Ont., LL.D.
Chairman

LEONARD LU
President

MARK FULLER
Sr. Vice-President, General Counsel
& Secretary

ROBERT F. KAY
Sr. Vice-President, Investments

LINDA J. BOWDEN
Vice-President, Corporate Services

ANTONIA EVAGELOU
Vice-President, Plan Administration

ROBERT J. SYCAMORE
Treasurer & Director, Finance

Senior Management

ROBERT BREENS
Director, Operational Policy

SHEILA A. FISH
Director, Member
& Pensioner Services

JOSEPH A.P. FARRUGIA
Director, Planning & Information
Technology

PETER M.T. JOHNSON
Comptroller

KAREN KOJIMA
Manager, Treasury &
Investment Accounting

The goal of the Ontario Pension Board is to excel in the provision of pension benefits by delivering the highest quality service to its members, pensioners and sponsors at the lowest cost, and by obtaining the maximum return on investments with a minimum of risk. This goal is being achieved through progressive human resource practices that encourage the initiative, innovation and participation of all staff.

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